



Wes Moore | Governor  
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# RESILIENT MARYLAND REVOLVING LOAN FUND FEDERAL FISCAL YEAR 2023 INTENDED USE PLAN

April 27, 2023



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## I. Introduction

### 1.1 Status of the Resilient Maryland Revolving Loan Fund

#### 1.1.1. The Resilient Maryland Revolving Loan Fund

Congress passed the federal Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act in 2020 which is codified in 42 United States Code (U.S.C), Section (§) 5135. This Safeguarding Tomorrow (ST) law authorizes FEMA to award grants to states. States may then issue loans with low interest rates for eligible mitigation projects that reduce disaster risks for homeowners, businesses, nonprofits and communities to decrease loss of life and property, the cost of insurance and federal disaster payments.

Maryland then passed legislation enabling the Resilient Maryland Revolving Loan Fund (RLF). The legislation is codified in Title 14 of the Annotated Code of Maryland, Public Safety (PS) Article. §14-110.4(b) provides, “There is a Resilient Maryland Revolving Loan Fund.”

#### 1.1.2. Notice of Funding Opportunity

On December 20, 2022, the Federal Emergency Management Agency (FEMA) issued The Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO) Fiscal Year 2023 Safeguarding Tomorrow Revolving Loan Fund Program. The NOFO was amended on February 2, 2023.

#### 1.1.3. Funding for the NOFO

Congress passed the Infrastructure Investment and Jobs Act in 2021 and allocated \$500 million funding for the Safeguarding Tomorrow program. The FY 23 NOFO provides \$50 million in funding will be available nationwide. Maryland is making a grant application to receive \$25,725,396.95 in Federal Capitalization Grant to be matched with \$2,572,539 (10%) in State funds.

#### 1.1.4. Intended Use Plan

This Federal Year (FY) 23 Intended Use Plan (IUP) provides citizens of the State Maryland as well as the Federal Emergency Management Agency with information

about the objectives and goals for the Resilient Maryland Revolving Loan Fund (RLF), the criteria for the distribution of loans, and the process for management of the RLF.

### 1.1.5. Maryland Department of Emergency Management

42 U.S.C §5135(c)(2)(A) requires in pertinent part, that “loan funds shall be administered by the agency responsible for emergency management.” Title 14 of the Annotated Code of Maryland, Public Safety Article §14–110.4(B) provides The state of Maryland began to address the opportunities provided by the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) more than two years ago, in 2020, when it passed legislation establishing the Resilient Maryland Revolving Loan Fund. The legislation was codified into law in the Public Safety (PS) Article of the Annotated Code of Maryland in 14-110.4. PS, §14-110.4(b) provides, “There is a Resilient Maryland Revolving Loan Fund.”

PS §14-101(b) defines “Department” as the Maryland Department of Emergency Management (MDEM). Further §14–110.4(e) requires that “The Department shall administer the Fund.”

Accordingly, MDEM administers the RLF. MDEM is a national leader in Emergency Management that provides Maryland residents, organizations, and emergency management partners with expert information, programmatic activities, and leadership in the delivery of financial, technical and physical resources “to shape a resilient Maryland where communities thrive.” MDEM does this by being Maryland's designated source of official risk reduction and consequence management information.

MDEM has a team in place that is responsible for the financial and programmatic implementation of the RLF program.

## II. Uses of the RLF

### 2.1. RLF program objectives

The objective of Maryland's RLF program is to utilize revolving loan funds to provide loans to local governments so they may plan, coordinate and complete hazard mitigation projects and activities that will reduce risks from natural hazards for homeowners, businesses, nonprofit organizations, and communities in order to decrease the loss of life and property; the cost of insurance; and federal disaster payments.

In order to determine what hazard mitigation measures to address, a review of the conditions of the state of Maryland is necessary.

#### 2.1.1. Maryland's Objective to Reduce the Risk of Natural Hazards

Maryland will meet the objective of reducing risks from natural hazards for homeowners, businesses, nonprofit organizations, and communities in order to decrease the loss of life and property; the cost of insurance; and federal disaster payments through a series of efforts.

#### 2.1.2 Conditions of the State

Maryland has its own set of conditions such as geography, population, land-use, and values. Maryland comprises an area of 12,407 square miles which is located in the middle-Atlantic region of the United States.

Maryland's topography varies from Atlantic beaches and farmland on the Eastern Shore, to lush wetlands and marshes along the shores of the Chesapeake Bay watershed, to rugged forests and mountainous areas of Appalachia.

Most of the state's waterways are part of the Chesapeake Bay watershed. Major rivers within this watershed include the Chester River, Choptank River, Middle River, Monocacy River, Nanticoke River, Patapsco River, Patuxent River, Potomac River, Susquehanna River, and Wicomico River. Major lakes include Deep Creek Lake, Loch Raven Reservoir, and Prettyboy Reservoir.



### 2.1.3. Maryland's Populations

According to the U.S. Census Bureau's 2022 estimates, the total population of Maryland is estimated to be 6,164,660 residents. Overall, Maryland's minority population share is 42 percent. According to the MDP's 2019 estimates, Prince George's County (72.2%) has the highest percentage of minority populations, followed by Baltimore City (70.9%), Charles County (60.4%), and Montgomery County (41%).

The state's per capita income for 12 months (in 2021 dollars) is estimated to be \$45,915, while the state poverty rate is 10.3% percent. Somerset County has the highest rate of poverty (23.6%) , followed by Baltimore City (22.9%) , Allegany County (16.4%), Dorchester County 15.0%, and Wicomico County 14.2%

Hazard events most severely affect vulnerable populations, including the elderly; persons with disabilities, access, or functional needs; low-income households; persons with no social support network; and those with health issues. In the event of a hazard, these subgroups are more vulnerable as they may depend on others to receive required help and/or evacuation, or they may not have easy access to community resources.

### 2.1.4. Marylanders Face Many Risks

Since 1962, Maryland counties have experienced natural hazards that have resulted in 32 presidential declarations for being issued. Maryland faces a number of natural hazards including severe winter storms, hurricanes, severe storms, flooding, tornadoes and high tides. Additionally other natural hazards have affected Maryland such as earthquakes. The greatest risks that Marylanders face is flooding and severe winter storms.

### 2.1.5. RLF Will Support Projects That Address Maryland's Unique Needs

One of the objectives of Maryland's RLF is ensuring that loans will be provided to local governments most in need of financing considering the unique conditions and needs of the state.

Accordingly, during the initial year of the RLF, Maryland will propose and focus on projects that address the greatest risks and needs in the state. Flooding is historically the greatest risk in the state of Maryland. The RLF program will strive to provide

financial support to jurisdictions that are implementing measures to combat the negative impacts of flooding.

Additionally, Maryland will focus on projects to alleviate needs of those living in low-income geographic areas. As previously mentioned, people living in vulnerable conditions feel the greatest impacts of natural hazards. Accordingly, Maryland will reduce the interest rate charged to jurisdictions in low-income geographic areas so that they may better afford a revolving loan as they implement hazard mitigation measures.

Studies from the National Institute of Building Sciences demonstrate that for every \$1 spent on mitigation projects, an average of \$6 is saved on the costs associated with future disaster. Helping Marylanders to take proactive mitigation measures has the potential to decrease the loss of life and property, the cost of insurance, and federal disaster payments.

## 2.2. Resilient Maryland Revolving Loan Fund Program Goals

### 2.2.1. Connection to Other Plans and Goals

The objectives of Maryland's RLF are, for the most part, consistent with themes found in [Maryland's 2021 Hazard Mitigation Plan](#) (HMP). Similar to the objectives of the RLF, a portion of the Executive Summary provides that the overarching themes of the HMP are "Identifying natural hazards that are most likely to impact Maryland now and, in the future, providing an opportunity for a focused risk analysis and prioritization of mitigation strategies and resiliency efforts to include: minimizing the loss of life and personal injuries from all-hazard events; reducing losses and damage to state and local governments and private assets; and decreasing federal, state, local; and, private costs of disaster response and recovery. For that reason, the goals set forth in the HMP are among the criteria used to prioritize projects for funding.

### 2.2.2. Mitigation and Resiliency Goals

In accordance with 42 U.S.C. §5135(g)(2)(B), the RLF program intends to achieve mitigation and resiliency benefits in a number of ways. Maryland is no stranger to property damage and loss of life suffered from natural hazards. The RLF program intends to support local governments to implement hazard mitigation measures that will result in reducing future damage and loss associated with hazards, reducing the number of severe repetitive loss structures and repetitive loss structures, decreasing the number of insurance claims in Maryland from injuries resulting from



major disasters or other natural hazards, and increasing the rating under the National Flood Insurance Program's Community Rating System (CRS) for communities in Maryland.

The projects contained in Maryland's FY 23 Project Proposal List (PPL) have the potential to achieve several of these goals. These hazard mitigations measures will combat the effects of flooding resulting from sea level rise and severe storms. Both areas have received presidential declarations. Both areas have suffered loss of property and lives.

### 2.2.3. Maryland's Short-Term Revolving Loan Fund Goals

It is important for this RLF program to set goals for direction and against which performance may be measured. During the initial year of the RLF program, in addition to creating the program, Maryland has established the short-term goals that follow.

#### 2.2.3.1. DEVELOP AND MAINTAIN STRONG RELATIONSHIPS WITH STAKEHOLDERS IN EACH COUNTY

In order to begin to work with people in each county who will participate in the RLF program, MDEM has to first develop and maintain strong relationships with stakeholders in each county or jurisdiction in order to learn their needs and gain their trust. This requires creating messaging specific to each region and stakeholder. Not only have these relationships led to projects being submitted for a loan, but these contacts should also result in a consistent pipeline of eligible projects moving forward.

#### 2.2.3.2. BE EVERYWHERE

In an effort to meet with Marylanders across the state, MDEM first traveled to, and met with, as many local governments as possible to learn about their needs and provide information about the new RLF program. During the six months prior to applying for a capitalization grant, MDEM traveled to Worhester, Washington, Calvert, Garrett, Charles, St. Mary's, Anne Arundel and Calvert Counties. Additionally, MDEM representatives had virtual and telephonic meetings with Baltimore City and the Town of Crisfield. The conversations were designed so that MDEM could learn directly from local officials about their needs and share the benefits of the program.



### 2.2.3.3. LOW-INCOME GEOGRAPHIC AND UNDERSERVED AREAS

Because funding and time during the initial funding cycle was insufficient to meet with every local government in Maryland, MDEM representatives focused on communities that have not had as much participation with mitigation grant programs in the past, that are low-income geographic areas and have high levels of underserved<sup>1</sup> populations, and that have high levels of risk based on historical events. Accordingly, Maryland completed a study of where in state the greatest number and intensity of social vulnerabilities exist. Based on this information, and in order to serve most effectively, MDEM began reaching out to local governments to learn about these people and their needs.

### 2.2.3.4. ENSURE DATA AND EXPERIENCE DRIVEN DECISIONS

The RLF program employs a number of reviews of the projects to be advanced to FEMA for a capitalization grant to ensure they are in keeping with federal and state law, the NOFO, Maryland's HMP as well as to secure the long-term survival of the fund itself. Project applications and supporting documents submitted for the loans are reviewed to verify that local governments have the ability to repay loans. Also, the projects are reviewed by qualified engineering staff to verify that the details of the projects are appropriate and viable given the scope of work, budget, timelines, etc. Additionally, the projects are reviewed by professionals from various relevant state

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<sup>1</sup> Executive Order 13985, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, defines "underserved communities" as "populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life..." and includes communities such as Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.

As used in this document, underserved communities also include "communities environmentally overburdened," which are communities adversely and disproportionately affected by environmental and human health harms or risks, and "disadvantaged communities," as referenced in Executive Order 14008, Tackling the Climate Crisis at Home and Abroad, and defined in Office of Management and Budget's Memo M-21-28: Interim Implementation Guidance for the Justice40 Initiative.

agencies who rank the projects given the prioritization criteria. And finally, the projects are reviewed by the senior leadership at MDEM to verify that the projects being advanced are in keeping with the goals of the agency, state HMP, NOFO and state and federal laws.

Additionally, local governments that serve low-income geographic areas will benefit from an interest rate reduced to .05%. Additionally, they will have a 30 year amortization to repay loans, rather than 20 years.

#### 2.2.3.5. GAIN GUIDANCE TO ENSURE INCLUSION

In order to ensure that every person across the state has the potential to be included in the benefits of this program, MDEM is taking proactive steps to share information about the loans with all people and particularly those in low-income geographic areas and socially vulnerable and underserved populations. Accordingly, MDEM is advancing the program with the guidance of the department's new Diversity, Equity and Inclusion (DEI) officer. The DEI officer joined the team for a full day to review planning and practices designed to benefit underserved communities. Additionally, the DEI officer is included in a committee of senior staff who review the projects before they are prioritized and included on the Project Proposal List (PPL) that is then advanced to FEMA seeking a capitalization grant.

#### 2.2.3.6. PROVIDE PROGRAM INFORMATION THROUGH VARIOUS MEANS OF COMMUNICATION

The RLF program understands that people communicate differently. In order to reach people in a manner that is conducive to being heard by people in varying regions, demographics and daily routines, to name a few, RLF program has, and continues to provide information about the RLF through a number of different media. The RLF program has provided many in-person presentations throughout the state explaining the program. Emails have been sent to a broad distribution list of people informing of the program. Another resource of communication has been the MDEM website where information is displayed 24 hours a day/7 days a week. Also, MDEM issued a press release that was picked up and reported by news stations.

The RLF offers many funding advantages for governments interested in hazard mitigation. RLF loans carry an interest rate of no more than 1%. In order to obtain a RLF loan, local governments are required to have neither a presidential declaration,

Benefit Cost Analysis, nor National Flood Insurance Program participation. The loans may be used as the non-federal cost share for other hazard mitigation grants.

#### 2.2.3.7. BE INNOVATIVE, MEET PEOPLE WHERE THEY LIVE AND ADDRESS THEIR CHALLENGES

In seeking to support local governments, and particularly those with underserved populations, solutions must meet actual needs. In order to obtain funding to execute mitigation measures, some jurisdictions do not have the resources to pay for a non-federal cost share in order to obtain a grant. Also, some jurisdictions do not have staff with the skills, time or experience to understand and apply for grants or perform a benefit-cost analysis. These are a sampling of the challenges local government representatives expressed during meetings with MDEM. The RLF program seeks to find solutions for local governments specific to their unique needs such as finding the technical assistance they need. Developing solutions will allow small or underserved local governments to plan for, and implement, sustainable, cost-effective mitigation measures designed to reduce the risk to individuals and property from future natural hazards, as well as reduce reliance on federal funding.

#### 2.2.3.8. ALIGN EFFORTS WITH THE GOALS AND OBJECTIVES IN THE 2021 HAZARD MITIGATION PLAN

The creation of Maryland's 2021 Hazard Mitigation Plan (HMP) involved a collaboration of various relevant agencies within the state. The HMP takes into account a set of conditions in Maryland such as geography, population, land-use, and incomes. Additionally, the HMP reviews the natural hazards each region of the state has faced in order to determine the greatest risks each region should expect. With this knowledge, a local government can take measures to negate the impact of those hazards, prioritizing efforts that may have the greatest effect in combating risks.

The HMP develops strategies for how to best confront those hazards by implementing mitigation measures. For consistency, collaboration and the creation of synergies, the RLF program seeks to work in compliance with Maryland's HMP.

#### 2.2.3.9. REMOVE BARRIERS AND STREAMLINE THE PROCESS FOR LOCAL GOVERNMENTS SEEKING LOANS

While talking with representatives in local governments, many expressed that they were not seeking grants to implement mitigation processes because the process was hard to understand and repetitive. People indicated that they just gave up and chose not to pursue the needed funding.

MDEM has worked to make the application process as clear and concise as possible. With the experience of the first funding cycle, the RLF program will continue to learn from, and improve, processes. The RLF program seeks to develop relationships, be as responsive as possible, and provide the information local governments need to pursue mitigation funding.

#### 2.2.4. Maryland's Long-Term Revolving Loan Fund Goals

It is important for this RLF program to set goals to provide direction and metrics for performance. During the initial year of the RLF program, in compliance with 42 U.S.C. §5135(g)(2)(G), Maryland has established the long-term goals that follow.

##### 2.2.4.1. MAINTAIN A PERPETUAL SOURCE OF FUNDS

In order to maintain a perpetual source of funds for future eligible uses, the RLF program is managing the RLF, underwriting and selecting projects that provide the greatest success for the loans being repaid and the least chance of default. The RLF program requires reporting on the status of projects so that the program can guard against defaults. Additionally, the RLF loan terms require that repayments begin a year after the loan is funded.

Other steps have been taken that will benefit local governments with socially vulnerable populations as that is a very important goal of the program. This policy will be reviewed to determine if the benefit to socially vulnerable populations has a negative impact on security of the funds in the RLF.

##### 2.2.4.2. TRANSPARENCY IN PRIORITIZATION

Maryland will maintain the IUP on the RLF webpage. The IUP provides the goals and prioritization for the projects considered for loans. The information allows prospective borrowers to understand the criteria for projects that will be considered in the future.

##### 2.2.4.3. BUILD AND SUSTAIN LOCAL CAPACITY



Building on the relationships that are established and enhanced with local government representatives and stakeholders, the RLF program will work to enhance and sustain the capacity in local governments to apply for and implement hazard mitigation measures.

#### 2.2.4.4. BUILD ON RELATIONSHIPS TO CREATE A PIPELINE OF ELIGIBLE PROJECTS

This initial phase of the RLF program in Maryland will be the basis of case studies for jurisdictions that are waiting to see what happens with the program. As local governments learn more, they will be encouraged to participate in the program, increasing the pipeline of eligible projects.

After the initial phase of the RLF is implemented, MDEM will maintain a section on its RLF webpage for local governments to provide a Notice of Intent (NOI). Throughout the year, local governments will have the ability to post the NOI to demonstrate their interest in the program in anticipation of the upcoming NOFO. This should assist in providing a pipeline of eligible projects.

#### 2.2.4.5. THE RLF WILL COMPLY WITH, AND SUPPORT, FEDERAL REQUIREMENTS

The STORM Act serves as a foundation for the Resilient Maryland Revolving Loan Fund program. Accordingly, the federal requirements are woven throughout the program.

In order to remind local and state governments of the importance of the federal requirements, they are an important portion of the prioritization of eligible projects. Therefore, the more that local governments abide by the federal requirements and priorities, the greater is the opportunity the local government's project will be provided a loan.

## 2.3. Maryland's RLF Program Priorities

### 2.3.1. Increase Resilience and Reduce Risk

Generally, and specifically during this funding cycle, projects in the PPL will increase resilience and reduce the risk of harm to natural and built infrastructure pursuant to 42 U.S.C. § 5135(d)(3)(A). All of the current projects aim to mitigate harm to the natural and built environment similar to what has been experienced. Repeated floods in



Ellicott City caused damage to buildings and the natural environment. Similarly Crisfield's dock and roadways were damaged by flooding. These projects will alleviate these harms by better controlling how water is maintained and limiting how, and the amount, of water, will travel to adjacent bodies of water.

The dock in Crisfield, which floats over the water, is connected to the shore-based pier by a gangway. This structure can be reinforced to mitigate damage from flood, wind and debris and will benefit Smith Island and other communities that use the dock. Mitigating threats from severe weather involves minimizing damage to these structures.

#### 2.3.1.2. ZONING AND LAND-USE PLANNING

During the initial funding cycle, Maryland will not be advancing any zoning and land-use planning projects. In the future, however, zoning and land use planning efforts pursuant to 42 U.S.C. § 5135(f)(4) will include:

- Development and improvement of zoning and land-use codes to incentivize and encourage low-impact development, resilient wildland–urban interface land management and development, natural infrastructure, green stormwater management, conservation areas adjacent to floodplains, implementation of watershed or greenway master plans, and reconnection of floodplains
- Study and creation of agricultural risk compensation districts where there is a desire to remove or set-back levees protecting highly developed agricultural land to mitigate for flooding, thereby allowing agricultural producers to receive compensation for assuming greater flood risk that would alleviate flood exposure to population centers and areas with critical national infrastructure
- Study and creation of land-use incentives that reward developers for greater reliance on low-impact development stormwater best management practices, thereby exchanging density increases for increased open space and improvement of neighborhood catch basins to mitigate urban flooding, reward developers for including and augmenting natural infrastructure adjacent to and around building projects without reliance on increased sprawl, and reward developers for addressing wildfire ignition

- Study and creation of an erosion response plan that accommodates river, lake, forest, plains, and ocean shoreline retreating or bluff stabilization due to increased flooding and disaster impacts

### 2.3.1.3. BUILDING CODE ADOPTION AND ENFORCEMENT

MDEM will administer the RLF to include building code adoption and enforcement projects pursuant to 42 U.S.C. § 5135(f)(5). However, no zoning and land-use planning projects are included in the FY 23 PPL.

### 2.3.1.4. ADMINISTRATIVE AND TECHNICAL ASSISTANCE

MDEM hired a staff to carry out the programmatic and financial aspects of the RLF program. To date, this team has planned the program roll-out, created the required documentation, including the application with an accompanying guide and developed processes. Now the program is in the administrative stage. Staff created a webpage and updates to provide information and traveled and talked with a number of local jurisdictions to inform about the new program. The cost of the administrative assistance is expected to be the full amount allotted pursuant to 42 U.S.C §5135(f)(1)(C).

Additionally, MDEM will be utilizing third party engineering assistance to determine if projects are designed, constructed, and maintained in accordance with sound engineering practices and standards.

Going forward, the RLF program will conduct trainings on the loan application process, collecting and analyzing data, conducting local risk assessments, performing environmental and historic preservation reviews, and preparing information for reporting and closeout. Additionally, MDEM will create manuals and guides to support these training sessions. The cost of the technical assistance is expected to be the full amount allotted pursuant to 42 U.S.C §5135(f)(6).

### 2.3.2. Partnerships

In FY 23, Maryland's projects receiving a loan from the RLF will not involve a partnership pursuant to 42 U.S.C. §5135(d)(3)(B). However, since the negative effects of natural hazards do not end at borders,, MDEM anticipates working in the future with Virginia, the District of Columbia, West Virginia, Pennsylvania and Delaware - and beyond - to seek common mitigation solutions.

### 2.3.3. Regional Impacts

Maryland is connected to its neighboring states and the District of Columbia by a border as well as rivers, watersheds, air and many other factors. Every mitigation measure advanced this initial NOFO cycle will affect water resources. Howard County is attempting to negate the effects that flooding has on the rivers that pass through its boundaries and into the Chesapeake Bay that touches so many states.

All projects advanced in Howard County, the Extended North Tunnel, Culvert, T-1 Pond, and the NC-3 Pond will negate the effect that storms have on adjacent rivers. Similarly, Crisfield, a city on the Chesapeake Bay, strives to make improvements that will better equip the municipality to handle the effects of flooding by repairing. Repairing and raising the City Dock and establishing Stormwater Infrastructure in Crisfield will alleviate the negative effects that storms have on the Chesapeake Bay.

### 2.3.4. Major Economic Sectors and National Infrastructure

The State of Maryland is utilizing the RLF to support projects that increase the resilience of major economic sectors or critical national infrastructure, including ports, global commodity supply chain assets (located within Maryland or within the jurisdiction of local governments, insular areas, and Indian tribal governments), power, and water production and distribution centers, and bridges and waterways essential to interstate commerce in compliance with 42 U.S.C. §5135(d)(3)(D).

During this initial funding period, Maryland's RLF program is seeking a grant to support the City of Crisfield to improve the City Dock. Crisfield's City Dock serves as a lifeline to Smith Island as ferries travel across the Chesapeake Bay to deliver mail, medications, and people, to name a few. Work on this project will promote the stability of these Health and Medical Care and Transportation lifelines.

Additionally, Maryland is submitting four different projects from Howard County, Maryland, an area which has survived two 500-year floods in a span of three years. Performing the mitigation projects to the T1 Pond and Tunnel in Ellicott City will negate disruption to the CSX railway, a Transportation Lifeline.



## 2.4. Cost Share

The RLF program is advancing Crisfield Stormwater Infrastructure project in the FY 23 Application for two capitalization grants. In both cases, Crisfield will use the loan as a non-federal cost share. Crisfield is located on the lower eastern shore of Maryland. Located directly on the Chesapeake Bay, Crisfield is subject to nuisance flooding and sea level rise greatly impacting schools, homes, businesses and government in daily operations as well as travel, particularly in the downtown area.

Accordingly, Crisfield will be applying for a 2024 BRIC grant for funding and seeks a RLF to finance the non-federal cost share of the BRIC grant in order to finance stormwater infrastructure to negate the effects of natural hazards. As is the case for many small towns, Crisfield does not have the technical expertise to determine the best course of action to implement the proper hazard mitigation effort. Accordingly, they will seek the assistance of FEMA through a Direct Technical Assistance program in conjunction with the BRIC grant.

This type of financing is vitally important to a town like Crisfield as it is a low-income geographic area. Often such jurisdictions do not have the ability to apply for grants because the non-federal cost share is not affordable. However, the low-interest and avoidance of administrative costs can be the difference in being able to apply for a loan which, in turn, makes applying for the HMA BRIC grant achievable.

Additionally, Crisfield applied for the non-federal cost share for Congressionally Directed Spending grant for FEMA Pre-Disaster Mitigation funds in accordance with the Stafford Act. The grant and cost share would be used to plan for, and implement, sustainable cost-effective measures designed to reduce the risk to individuals and property from future natural hazards, while also reducing reliance on federal funding from future disasters by making essential improvements to the City Dock.

The Consolidated Appropriations Act of 2023 authorizes funding for 100 projects for states, tribes, territories and local communities for FEMA's Hazard Mitigation Assistance Pre-Disaster Mitigation grant program.

Crisfield would qualify as a small impoverished community, and is therefore eligible for up to 90% federal cost share and 10% non-federal cost share for their mitigation



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planning and project subapplications in accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act.



## III. Criteria and Method for Distribution of Funds

### 3.1. Loan Management Information

The RLF stands ready to provide financial assistance in the form of loans to local governments in accordance with U.S.C §5135(g)(2)(C). The RLF program has a team in place to provide the services required. Additionally, Maryland has passed the required legislation to establish the loan fund and allocated resources in order to pay the applicable cost match.

#### 3.1.1. Loan Application Process

The RLF loan application process for financial assistance from the RLF pursuant to U.S.C §5135(g)(2)(C) begins with issuing a Notice of Intent (NOI). The NOI will remain on MDEM's RLF web page throughout the year in order to continually solicit a pipeline of projects.

The RLF will make an application available to local governments that express interest in a loan. Local governments must provide the information requested in the loan application. Failure to provide all information will not cause the application to be invalid, however, responsiveness is given consideration in the prioritization process.

#### 3.1.2. Financial planning

The RLF program is ensuring that local governments have the ability to repay the loan. MDEM uses a system of scoring projects to reflect Maryland's priorities listed in the Hazard Mitigation Plan. Additionally, local governments receiving loans for eligible projects go through an underwriting process to indicate whether the local government will be able to repay the loan.

Maryland's RLF short-term financial prospect is positive as Maryland is one of the first state in the country to apply for a grant. Further, Maryland has the resources to provide a cost-match for the next five years.

Maryland's RLF medium-term financial project should also be positive even though there is great uncertainty about how the program will be implemented on the federal level. Further, Maryland is dedicated to providing benefits of this program to jurisdictions with high social vulnerabilities.

## 3.2. Criteria and Method for Loan Distribution

Once notice of a capitalization grant being awarded to Maryland is received, the RLF program will contribute the 10% cost match to the RLF. Thereafter, Maryland hopes to receive the checklist for the Environmental and Historic Preservation (EHP) Review. After the RLF program obtains the checklist and the responses thereto for prioritized projects, those items will be sent to FEMA during the initial funding cycle for FEMA to conduct the EHP review.

After that is complete, the RLF program will go through the settlement process to fund loans.

Projects in low income geographic areas receive an amplified consideration since they are included multiple times in the ranking criteria for prioritization. For the first NOFO funding cycle, the RLF will offer a .05% interest rate to low-income geographic areas. Standard loans will have a 1% interest rate. Additionally, in keeping with 42 U.S.C. §5135(f)(1)(A)(ii)(II), those in low-income geographic areas will have a 30 year amortization period.

## 3.3. Creating a Project Proposal List

### 3.3.1. Prioritization Methodology

Maryland developed a system of requirements and priorities in order to evaluation and rank projects for funding opportunities based on the following four sources:

- 1) The federal law enabled through the STORM Act and codified at 42 U.S.C. §5135;
- 2) The responding state law that created the Resilient Maryland Revolving Loan Fund codified at Md. PUBLIC SAFETY Code Ann. §14-110.4;
- 3) The Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO) Fiscal Year 2023 Safeguarding Tomorrow Revolving Loan Fund Program; and
- 4) The State of Maryland's 2021 Hazard Mitigation Plan.

Additionally, in order to maintain the integrity and longevity of the RLF, the ranking of the projects is impacted by the local government's ability and likelihood to repay the loans as determined through an underwriting process.

The combination of these three criteria emphasize a number of goals including, but not limited to:

- Prioritize making loans to projects it determines to have the greatest impact on eliminating hazards;
- Making loans available to those in underserved and low-income geographic areas;
- Aligning with statutory objectives;
- Focusing on the goals in Maryland's Hazard Mitigation Plan; and,
- Supporting hazard mitigation measures that negate the effects of natural hazards on people and property.

### 3.3.2. Tie-Breaking Procedure

In the event that FEMA does not provide all of the funding requested by the State of Maryland and Maryland must decide which projects receives a loan with two projects tied, Maryland will award funding to a project in a jurisdiction that faces the greatest burden of social vulnerabilities.

### 3.3.3. Project Proposal List

MDEM submitted the [Project Proposal List](#) to FEMA



## IV. Financial Management

### 4.1. Financial Status of the Resilient Maryland Revolving Loan Fund

Pursuant to 42U.S.C. §5135(g)(2)(G), for the current fiscal year, the following table represents the assets of Maryland’s RLF, should the Maryland RLF receive grants from FEMA in the amounts for all projects submitted. Administrative amounts for costs will depend on the amount of the grant awarded.

Capitalization Grant	Maryland Cost Match	Loan Principal Repayments	Investment Earnings	Fund Total
* 22,725,396.85	* \$2,525,044.10	0	0	*\$25,250,440.95

\* Note that where FEMA awards the capitalization grant requested by the State of Maryland, the grant, cost match and fund totals are the amounts reflected above.

#### 4.1.2. MDEM will conduct training and develop manuals and guides

In order to build capacity at the local level, MDEM will conduct trainings on the loan application process, collecting and analyzing data, conducting local risk assessments, conducting environmental and historic preservation reviews, and preparing information for reporting and closeout. Additionally, MDEM will create manuals and guides to support these trainings.

### 4.2. Financial Terms of Loans

#### 4.2.1. Standard Loans

During the first five years of the loan fund activity and in order to secure the integrity and long-time durability of the RLF, for standard loans, the RLF program will assess the full 1% interest rate on loans.

Local governments will be required to enter into a loan agreement and to pay all closing costs of a loan on each project.

Local governments will be required to provide a resolution passed by their legislative body demonstrating the dedicated source of revenue that will be used to pay back the loan.

In order to negate burdens for taking out the loans, during the initial year, the RLF program will not charge an administrative fee to loan recipients. The effect of this measure will be evaluated each year. The RLF program will measure the effect this will have on the viability of the loan fund in order to determine if changes should be made.

Loans will be underwritten to determine their integrity as well as a local governments' ability to repay the loan. The underwriting criteria may include, but is not limited to an analysis of :

#### Liquidity ratios

- Current ratio
- Acid-test ratio
- Cash ratio
- Operating cash flow ratio

#### Leverage Ratios

- Debt ratio
- Debt to equity ratio
- Interest coverage ratio
- Debt service coverage ratio made.

#### 4.2.2. Loans for Low-Income Geographic Areas or Underserved Communities

At the outset of Maryland's RLF, a paramount goal is developing a program that ensures the long-term financial viability of the loan fund. Another goal is to ensure that the loans are going to governments that assist those in low-income geographic areas, underserved and socially vulnerable.

Where the RLF makes loans to local governments in low-income geopolitical areas for the first five years of program activity, the loan will be made at an interest rate of .05%, which is half of the interest rate of a standard loan interest rate.

The other requirements listed for the standard loans will apply for those in low-income geographic areas.

### 4.3. Loan Disbursements

For the initial year of funding, and pursuant to 42 U.S.C. § 5135(g)(2)(E) Maryland intends to disburse every dollar that FEMA provides through grant dollars as well as a cost match. Maryland is requesting \$25,250,440.95 as the total amount of Maryland's RLF.

#### 4.3.1 Criteria and Method for Loan Distribution

The RLF program solicited interest in loans in order to conduct hazard mitigation projects from local governments commencing in January 2023. Based on the interest, local governments submitted applications for RLF loans.

These applications were rated and ranked based on the RLF rating system.

The projects local governments submitted are represented in the FY 23 PPL.

Depending on the amount of the grant received from FEMA, the RLF program will disburse funds based on the ranking of the projects.

Projects in low- income geographic areas receive an amplified consideration since they are included multiple times in the ranking criteria for prioritization. For those projects, the RLF will provide a .05% interest rate. Standard loans will have a 1% interest rate.

The RLF program will communicate and collaborate with local governments to verify they have the technical, financial, and managerial capacity to ensure compliance. This will be done by providing information to borrowers in clear, understandable language.

### 4.4. Loan Repayment

In accordance with 42 U.S.C. §5135(f)(1)(A)(iii), the Maryland RLF requires that loan recipients must establish a dedicated source of revenue for repayment of each loan..

At the outset, the RLF program is working to further a number of objectives. RLF will strive to provide opportunities for socially vulnerable communities. In order to make loans more affordable, the RLF initially will not be charging any administrative fees.

Additionally, the RLF is charging .05% interest for low-income geographic areas.

Finally, the amortization period for those in low-income geographic areas is 30 years which gives these borrowers a long period to pay on the loan.



Doing so, however, may mean that a lender assumes greater risk of a borrower's ability to repay, certainly in a low-income geographic area. Populations that have lower incomes may spend less which can lead to a lower tax base and accordingly, less of an ability to repay loans.

Another goal of the RLF is to secure the integrity of the fund. This goal is complicated by a number of factors, including those named above. Charging less of an interest rate means that the RLF will have fewer assets. Not charging an administrative fee initially will mean that the fund will have to find other ways of paying those who operate the fund. And the greater the amortization period indicates that it will be a longer period of time for the funds to be repaid into the revolving loan fund. Accordingly, to bolster the stability of the RLF, repayment must commence one year after the loan is funded and thereafter be paid on an annual basis.

## 4.5. Loan Terms

### 4.5.1 Loan Terms and Conditions

Minimum/Maximum Loan Amount:	\$50,000 / \$ 5,000,000
Current Interest Rate:	Resilience RLF Base Interest Rate = < 1.00% Low-Income Geographic Areas= .50%
Loan Terms:	Repayment terms up to 20 years after project Completion, or up to 30 years for projects Benefitting low-income geographic areas (in "full" years when amortizing)
Loan Origination Fee:	None
Processing Fee:	None
Closing costs:	Costs to be paid by borrower will vary depending on the project type



## V. Maryland RLF Program Management

### 5.1. Local Capacity Development

While meeting with local governments to learn their needs, many expressed that they do not have the skills in-house to apply for grants or loans. Accordingly, rather than expending time and effort that might not bear fruit, a number of jurisdictions revealed that they simply do not apply for funding assistance which in turn results in mitigation projects not being executed. Naturally, when hazards occur, local governments experience costly losses, in terms of property damage and sometimes in harm to, and loss of life. Accordingly, it is imperative to provide local governments with the skills and confidence they require to submit responsive applications for loans.

#### 5.1.1. MDEM will gain training in how to support local governments in capacity-building.

MDEM employees will seek out, and take, training so that they may pass the knowledge along to local governments pertaining to capacity-building.

#### 5.1.2 MDEM will verify that borrowers have the technical, financial and managerial capacity to ensure compliance

MDEM will communicate and collaborate with local governments to verify they have the technical, financial, and managerial capacity to ensure compliance. This will be done by providing information to borrowers in clear, understandable language.

#### 5.1.3. MDEM will ensure knowledge gets passed along

A large challenge for work in government is the loss of institutional knowledge that occurs when employees move on to other positions. MDEM is working to record the processes that are being developed during the creation of this program so that a record can provide a basis of understanding for subsequent employees to pick up where others left off.

#### 5.1.4. MDEM will conduct training and develop manuals and guides

In order to build capacity at the local level, MDEM will conduct trainings on the loan application process, collecting and analyzing data, conducting local risk



assessments, conducting environmental and historic preservation reviews, and preparing information for reporting and closeout. Additionally, MDEM will create manuals and guides to support these trainings. During the initial roll-out of the RLF, MDEM created a guide to fill out the application, developed a webpage to provide information and has traveled and talked with a number of local jurisdictions to inform about the new program.

## **5.2. Environment and Historic Preservation Compliance**

During the initial NOFO cycle, FEMA has indicated that they will perform the EHP review. FEMA also provided that they will provide a checklist and guidance for the local governments to complete. Accordingly, where Maryland is awarded a grant and once the checklist is received from FEMA, the RLF will obtain the information for the checklist and provide that information to FEMA.

In subsequent years, the RLF program will obtain the information found on the checklist when local governments submit their application, which will allow the RLF program to pre-screen projects.

FEMA has advised that where a loan is being used as a cost share for another grant program such as a hazard mitigation grant, an additional EHP would not be required.



## VI. Public Participation

### 6.1. Public Meetings and Comment Activities

During the six months prior to applying for a capitalization grant, MDEM traveled to Worcester, Washington, Calvert, Garrett, Charles, St. Mary's, Anne Arundel and Calvert Counties. Additionally, MDEM representatives had virtual and telephonic meetings with Baltimore City and the Town of Crisfield.

MDEM posted the Intended Use Plan (IUP) and Project Proposal List (PPL) on the RLF webpage and requested comments thereon. MDEM sent a notice out to a statewide distribution list with a link to the webpage so that citizens and stakeholders will know to look for the information. If comments are received by May 26, 2023, MDEM will schedule a meeting with all interested parties.

The IUP and PPL will remain on the website to inform citizens, nonprofits, businesses and communities about the program requirements and priorities.

## VII. Audits and Reporting

### 7.1. Compliance with Federal Reporting Requirements

Ensuring transparency and accountability, all program materials are posted on our MDEM RLF website . We will utilize the services of an independent Certified Public Accounting firm to conduct an independent audit to ensure financial integrity for the Annual and Biennial Audits. We commit to entering project and benefits data into the FEMA Non-Disaster Grants system (ND Grants) and financial data in Payment and Reporting System (PARS) to support the evaluation of the Resilient Maryland Revolving Loan Fund.

We understand that FEMA will use the data from the audits and reporting to evaluate how Maryland utilizes loan funds efficiently, administers the fund, provides project benefits to local communities, and promotes equity. We will enter project benefits data into ND Grants by the end of the quarter in which the capitalization grant is received. After the period of performance, we will enter required project benefits data into FEMA's ND Grants by the end of the fiscal year for this Intended Use Plan.

### 7.2. Publication of Information

Maryland has added the IUP and PPL to the MDEM web page for the RLF where the information will remain and be updated, as required. In compliance with 42 U.S.C. §5135(h)(2).

### 7.3. Loan Recipient Auditing and Reporting

The RLF program will monitor and evaluate the performance of loan recipients in their use of funds. Quarterly reporting will be required. RLF program representatives will visit the project sites periodically to review the progress..



## Appendix A

### A.1. Loan Application Process

The RLF program solicited interest for loans in order to conduct hazard mitigation projects from local governments commencing in January, 2023. Based on the interest, local governments submitted applications for RLF loans.

#### Financial Analysis Calculations

Loans will be underwritten to determine their integrity as well as a local governments' ability to repay the loan. The underwriting criteria includes, but is not limited to an analysis of :

##### Liquidity ratios

- Current ratio
- Acid-test ratio
- Cash ratio
- Operating cash flow ratio

##### Leverage Ratios

- Debt ratio
- Debt to equity ratio
- Interest coverage ratio
- Debt service coverage ratio

## Appendix B

### B.1. Project Proposal List Prioritization Methodology

[fema\\_project-proposal-list-template-safeguarding-tomorrow-rlf.xlsx](#) - Google Sheets

The RLF program solicited interest for loans in order to conduct hazard mitigation projects from local governments commencing in January, 2023. Based on the interest, local governments submitted applications for RLF loans.

Maryland developed a system to prioritize project applications for funding opportunities based on four sources:

- 1) The requirements and priorities of 42 U.S.C. §5135, the federal law enabling this program.
- 2) The requirements and priorities of Md. PUBLIC SAFETY Code Ann. §14-110.4, the law in Maryland that enabled the Resilient Maryland Revolving Loan Fund.
- 3) The requirements and priorities of the Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO) Fiscal Year 2023 Safeguarding Tomorrow Revolving Loan Fund Program;
- 4) The goals listed in the State of Maryland's 2021 Hazard Mitigation Plan; and,
- 5) The local government's ability to repay the loans.

The projects local governments submitted are represented in the FY 23 PPL.

Depending on the amount of the grant received from FEMA, the RLF program will disburse funds based on the ranking of the projects.

Projects in low income geographic areas receive an amplified consideration since they are included multiple times in the ranking criteria for prioritization. For those projects, the RLF will provide a .05% interest rate. Standard loans will have a 1% interest rate. Additionally, in keeping with 42 U.S.C. §5135(f)(1)(A)(ii)(II), those in low-income geographic areas will have a 30 year amortization period.



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## Project Proposal List Prioritization Methodology

In addition to the factor of a local government’s ability to repay a loan as determined by underwriting, the Maryland RLF prioritized projects for loans based on four criteria. They are the requirements and priorities of [42.U.S.C. §5135](#), Maryland’s [Public Safety §14-110.4](#), the NOFO, and the goals expressed in Maryland’s [Hazard Mitigation Plan](#).

MDEM Hazard Mitigation Assistance (HMA) Project Ranking			
Category	Points Possible	Weight	Description
<b>Maryland Hazard Mitigation Plan Goals</b>	10	20%	The State’s goals, as established in Maryland's 2021 Hazard Mitigation Plan are as follows: 1. Protect life, property, the economy, and the environment from hazard events to the greatest extent possible. 2. Increase public awareness of potential hazards, mitigation actions, preparedness efforts, and resiliency planning. 3. Protect state assets, infrastructure, and critical facilities from hazard events. 4. Enhance coordination across the whole community, including federal, state, and local government, and nongovernmental organizations, by strengthening existing linkages and creating new linkages between state and local mitigation and resiliency efforts." 5. Promote actions that protect natural resources while enhancing hazard mitigation and community resiliency. 6. Identify and implement projects that will reduce the impacts of hazards and efficiently use state resources.



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			<p>7. Integrate hazard mitigation planning into other state planning efforts (comprehensive plan, floodplain management regulations, land use/zoning, green infrastructure) and encourage and educate counties and municipalities to integrate across local plans and ordinances.</p> <p>8. Identify and reduce flood hazard impacts in areas outside of the Special Flood Hazard Area (SFHA), that have experienced increased frequency and intensity in flooding but do not meet FEMA's RL and SRL criteria.</p> <p>9. Reduce flood-related losses, with an emphasis on reducing RL and SRL properties over the next hazard mitigation planning cycle.</p> <p>10. Promote the development of policies, programs, initiatives, and projects that prioritize diversity, equity, and environmental justice.</p>
<p><b>Federal Law Requirements and Priorities</b></p>	10	20%	<p>42 U.S.C.§5135 requires that the loan provides hazard mitigation revolving loan funds for “funding assistance to local governments to carry out eligible projects under this section to reduce disaster risks for homeowners, businesses, nonprofit organizations, and communities in order to decrease—</p> <p>(A) the loss of life and property;</p> <p>(B) the cost of insurance; and</p> <p>(C) Federal disaster payments.</p> <p>Pursuant to <a href="#">42 U.S.C. §5135</a> priority is given to projects that:</p> <ul style="list-style-type: none"> <li>-Propose to finance projects increasing resilience and reducing risk of harm to natural and built infrastructure;</li> </ul>



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			<ul style="list-style-type: none"> <li>-Support partnerships between two or more eligible entities to implement a project or similar projects;</li> <li>-Consider regional impacts of hazards on river basins, river corridors, micro-watersheds, macro-watersheds, estuaries, lakes, bays, and coastal regions, and areas at risk of earthquakes, tsunamis, droughts, severe storms, and wildfires, including the wildland-urban interface;</li> <li>-Propose to finance projects for the resilience of major economic sectors or critical national infrastructure.</li> </ul>
<b>FEMA NOFO</b>	10	20%	<ul style="list-style-type: none"> <li>-SVI</li> <li>-Promoting Equity</li> <li>-Supporting delivery of innovative hazard mitigation projects</li> <li>-Project Completeness</li> <li>-Underserved populations</li> <li>-Duration of project(Shorter projects get more points)</li> <li>-Population Served</li> <li>-Community Rating System <a href="#">42.U.S.C. §5135.g.2.B.iv.</a></li> </ul>
<b>Maryland Law Requirements and Priorities</b>	10	20%	<p><a href="#">Public Safety §14-110.4</a> - The purpose of the Fund is to provide loans for resilience projects that address mitigation of all hazards, including natural disasters.”</p> <ul style="list-style-type: none"> <li>-The Department shall prioritize making loans to projects it determines to have the greatest impact on eliminating hazards.</li> </ul>



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<p><b>Financial Integrity Criteria</b></p>	<p>10</p>	<p>20%</p>	<p>Application evaluation criteria may include the following risk-based considerations of the applicant:</p> <ul style="list-style-type: none"> <li>i. Financial stability.</li> <li>ii. Quality of management systems and ability to meet management standards.</li> <li>iii. History of performance in managing federal awards.</li> <li>iv. Reports and findings from audits.</li> <li>v. Ability to effectively implement statutory, regulatory, or other requirements.</li> </ul>
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